Marketing Healthcare Centers & Hospitals
Session 10
Place(Distribution)

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Distribution

Place, refers to distribution, which is a basic component of the marketing mix.

It represents how and where the product is accessed by the consumer.

The path a product takes as it travels from the manufacturer to the consumer is referred to as the channel of distribution.

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Alternative Channels Of Distribution

All businesses must decide how many other organizations are needed to distribute their product or service.

The channels companies use, vary in length referring to the number of **intermediaries**.

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Alternative Channels Of Distribution

A direct channel is one in which no one stands between the producer of the product and the ultimate consumer.

In health care, the most direct channel is between the primary care physician and the patient.

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Alternative Channels Of Distribution

An indirect channel may have several intermediaries between the producer and the ultimate consumer.

Example: Proctor & Gamble (P&G), a consumer products company , uses the middle channel for the distribution of its many products.

In Health care e.g……

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Functions in The Channel

-A **common view** that consumers have had of traditional industries is that the middleman, or intermediary, **adds cost** or **little value** to the product.

-Actually functions of the channels are:

1- Place

2- Inventory

3- Time

4- Possession

5- Form

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1-Place

A major function of any intermediary is the **place** value provided to the product or service by making it more accessible to the consumer.

Example :in hospitals Mobile clinics also offer place value.

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2-Inventory

The time refers to the fact that many intermediaries store the product until the consumer wants to purchase the item.

Example :a department store, may stock some coats for sale throughout the entire year. As a result, a consumer does not need to maintain an inventory in anticipation of future need.

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3- Time Access

1. The Hours **(AM, PM)** during which services are provided.

2. The Length of time between calling for and having an appointment.

3. The Length of waiting time in the service provider's waiting area.

4-Possession

The fourth function performed in the channel of distribution is that of possession or financing.

In traditional businesses, some intermediaries will provide credit, allowing the customer to take the product and pay over time.

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Possession

In health care, some intermediaries vary regarding the provision of the financing .

In the past, many urgent medical care centers that were established in the 1980s as for-profit enterprises required patients to pay for services at the time of delivery.

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Possession

If health insurance was going to reimburse these patient's, they had to seek this reimbursement after payment to the urgent care center.

Most hospital emergency departments will, however, bill the patient's insurance company directly and, for the uninsured patient, some will provide services regardless.

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5-Form

-The fifth utility provided by some intermediaries is that of form or alteration, in which the intermediary actually changes the product for the customer.

-Some intermediaries provide customization of the product.

-In a traditional industry it might be found when a department store alters a suit to better fit an individual

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Intensity of Distribution

When forming a channel, the provider of the product or service must first decide how intensive the distribution should be.

This channel intensity, as it is called, will then determine how available the product is to the ultimate consumer.

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Intensity of Distribution

In traditional businesses, three forms of distribution intensity are common:

Intensive

Selective

Exclusive

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Intensity of Distribution

Intensive → **Selective** → **Exclusive**

Consumer Products	Shopping Products	Speciality items
•Cigarettes	•Home computer	• Fine Jewelry
•Soda	•Audio Equipment	• Perfume
•Chewing Gum	•Speciality Clinics	• Academic Medical Center
•Primary Care Clinics		

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Intensity of Distribution

A **major consideration** in selection of an intensity alternative is **how much effort consumers** will exert searching for a particular product or service.

The **more effort** they are willing to expend, the more an organization can be **selective or exclusive** in its intensity.

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Intensity of Distribution

A second consideration is **control**.

The **more control** the manufacturer wants over the intermediary, the more it would choose the strategy of **exclusivity.**

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Intensive Distribution

-This strategy is typical of consumer goods manufacturers.

-With intensive distribution, the product is available in a large number of outlets.

-This strategy applies to products such as cheese, chewing gum, the consumer exerts no effort to find these and knows that there are many available outlets for such products.

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Intensive Distribution

The **traditional view** in health care was that **patients had their own personal physicians** and would accept no substitutes.

Increasingly, however, **convenience has become a major customer concern**, a dimension that effects the amount of effort **patients will expend in seeking** care from a particular primary care physician.

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Intensive Distribution

As a result, **many primary care** groups are implementing **more intensive distribution** efforts by providing **multiple** satellite **facilities and extended hours.**

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Exclusive Distribution

The opposite of intensive distribution is **exclusive distribution**, whereby the product or service is offered in a highly restricted number of outlets.

Manufactures of **luxury products**, which often have high margins, follow this strategy.

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Exclusive Distribution

Example : Rolls Royce, has few auto dealerships in the United States, in the belief that the customer who wants a Rolls Royce will be willing to travel to make the purchase.

In the same regard, the manufacture by limiting the number of dealerships can exhibit **strong control over these intermediaries.**

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Exclusive Distribution

-In health care, **exclusive distribution** has existed for the providers of **highly specialized medical services**.

Example: the hospital for special surgery in New York City has an exceptional reputation for orthopedic and rheumatology treatments. So, patients must still seek treatment at its one location in Manhattan.

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Selective Distribution

-This approach involves **fewer retailers** than the intensive approach and in particularly attractive to manufacturers of shopping goods.

-At this distribution level, **the consumer compares** alternatives on selected attributes and compares the value.

-Intermediaries are restricted to those whom the manufacture believes will provide the best product support.

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Channel Leadership

In many distribution channels, one member is considered the channel commander can dictate or control the activities of the other members of the channel of distribution.

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Channel Leadership

The manufacturer can be the channel commander when its very popular.

Example :P& G has several brand-name products that are well recognized and have significant market share.

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Using Power

-There are several sources of power a distribution channel member can use to control other members of the channel.

-Five specific sources have been identified:

1-Coercive power,

2-Economic power,

3-Rewards,

4-Referent power

5-Expertise

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1.Coercive

One negative source of power is coercive power.

A manufacturer might threaten to pull its popular product from the shelves.

Typically, most members of the distribution channel prefer not to use this form of power, because it can have a negative impact on building long term channel relationships.

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2.Economic

If one member of the channel has significantly **more** economic resources than another, that firm has the power.

General motors can exert significant power over small manufacturers that supply it with auto parts.

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3.Reward

Power can always be gained by providing other intermediaries with a significant incentive to cooperate.

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4.Referent

This form of power refers to the name or reputation of the organization.

As was noted previously, an organization that has brand –name recognition in the marketplace can exhibit significant power over smaller competitors or intermediaries.

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5.Expertise

Having a recognized expertise in a particular area is a fifth valuable source of distribution channel power.

Several ranking are published that can provide a hospital with the appearance of expertise power.

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